

CITY OF CLARKSVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641)257-4222

CITY OF CLARKSVILLE, IOWA

TABLE OF CONTENTS

| | | |
|---|------------------------|--------------------|
| <u>OFFICIALS</u> | | <u>PAGE</u> |
| | | 1 |
| <u>INDEPENDENT AUDITOR'S REPORT</u> | | 2-3 |
| <u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u> | | 4-8 |
| <u>BASIC FINANCIAL STATEMENTS:</u> | | |
| | <u>Exhibit</u> | |
| Government-wide Financial Statement: | | |
| Cash Basis Statement of Activities and Net Position | A | 9-12 |
| Governmental Fund Financial Statement: | | |
| Statement of Cash Receipts, Disbursements and | | |
| Changes in Cash Balances | B | 13-14 |
| Proprietary Fund Financial Statement: | | |
| Statement of Cash Receipts, Disbursements and | | |
| Changes in Cash Balances | C | 15-16 |
| Notes to Financial Statements | | 17-24 |
| <u>OTHER INFORMATION:</u> | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and | | |
| Changes in Balances - Budget and Actual (Cash Basis) - | | |
| All Governmental Funds and Proprietary Funds | | 25-26 |
| Notes to Other Information - Budgetary Reporting | | 27 |
| <u>SUPPLEMENTARY INFORMATION:</u> | | |
| | <u>Schedule</u> | |
| Schedule of Cash Receipts, Disbursements and Changes in | | |
| Cash Balances - Nonmajor Governmental Funds | 1 | 28-29 |
| Schedule of Cash Receipts, Disbursements and Changes in | | |
| Cash Balances - Nonmajor Proprietary Fund | 2 | 30 |
| Schedule of Indebtedness | 3 | 31-32 |
| Note Maturities | 4 | 33-34 |
| Schedule of Expenditures of Federal Awards | 5 | 35 |
| <u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER</u> | | |
| <u>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS</u> | | |
| <u>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN</u> | | |
| <u>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u> | | |
| | | 36-37 |
| <u>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR</u> | | |
| <u>FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON</u> | | |
| <u>THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY</u> | | |
| <u>OMB CIRCULAR A-133</u> | | |
| | | 38-39 |
| <u>SCHEDULE OF FINDINGS</u> | | 40-43 |

CITY OF CLARKSVILLE, IOWA

OFFICIALS

| <u>NAME</u> | <u>TITLE</u> | <u>TERM EXPIRES</u> |
|--------------------|---------------------|----------------------------|
| David Kelm | Mayor | January 2014 |
| Jeff Kolb | Mayor Pro Tem | January 2016 |
| Cathy Cummings | Council Member | January 2014 |
| Mike Miller | Council Member | January 2014 |
| Diane Renning | Council Member | January 2014 |
| Val Swinton | Council Member | January 2016 |
| Larry Betts | Clerk/Treasurer | Indefinite |
| Luke Guthrie | Attorney | Indefinite |



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the government activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarksville, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2012.

Qualified Opinions

In my opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarksville as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clarksville's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 25 through 27 has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 13, 2013 on my consideration of the City of Clarksville's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Clarksville's internal control over financial reporting and compliance.



Charles City, Iowa
November 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Clarksville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

The City's total cash basis net position decreased 49.4%, or approximately \$625,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$556,000 and the cash basis net position of the business type activities decreased by approximately \$69,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds to provide separate information for the Water Utility, Sewer Utility, Garbage Utility and Storm Water Drainage Utility Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$892,453 to \$336,055. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities
(Expressed in Thousands)

Year ended
June 30, 2013

Receipts:

| | |
|---|----------------|
| Program receipts: | |
| Charges for service | \$ 87 |
| Operating grants, contributions and restricted interest | 160 |
| Capital grants, contributions and restricted interest | 1,838 |
| General receipts: | |
| Property tax | 430 |
| Local option sales tax | 86 |
| Unrestricted interest on investments | 4 |
| Other general receipts | 37 |
| Total receipts | <u>\$2,642</u> |

Disbursements:

| | |
|------------------------------------|----------------|
| Public safety | \$ 200 |
| Public works | 188 |
| Health and social services | 6 |
| Culture and recreation | 129 |
| Community and economic development | 1,963 |
| General government | 90 |
| Debt service | 119 |
| Capital projects | 593 |
| Total disbursements | <u>\$3,288</u> |

| | |
|--|-----------|
| Change in cash basis net position before transfers | \$ (646) |
| Transfers, net | <u>90</u> |

| | |
|---|------------|
| Change in cash basis net position | \$ (556) |
| Cash basis net position beginning of year | <u>892</u> |

| | |
|-------------------------------------|---------------|
| Cash basis net position end of year | <u>\$ 336</u> |
|-------------------------------------|---------------|

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

Year ended
June 30, 2013

Receipts:

| | |
|--------------------------------------|---------------|
| Program receipts: | |
| Charges for service: | |
| Water utility | \$ 129 |
| Customer deposits | 7 |
| Sewer utility | 88 |
| Garbage utility | 165 |
| Storm water drainage utility | 49 |
| General receipts: | |
| Unrestricted interest on investments | 1 |
| Other general receipts | 15 |
| Total receipts | <u>\$ 454</u> |

Disbursements:

| | |
|------------------------------|---------------|
| Water utility | \$ 120 |
| Customer deposits | 5 |
| Sewer utility | 94 |
| Garbage utility | 162 |
| Storm water drainage utility | 52 |
| Total disbursements | <u>\$ 433</u> |

| | |
|--|-------------|
| Change in cash basis net position before transfers | \$ 21 |
| Transfers, net | <u>(90)</u> |

| | |
|---|------------|
| Change in cash basis net position | \$ (69) |
| Cash basis net position beginning of year | <u>375</u> |

| | |
|-------------------------------------|---------------|
| Cash basis net position end of year | <u>\$ 306</u> |
|-------------------------------------|---------------|

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Clarksville completed the year, its governmental funds reported a combined fund balance of \$336,055, a decrease of \$556,398 from last year's total of \$892,453. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$37,027 from the prior year to \$124,629. This increase was due mainly to an increase in charges for service.

The Special Revenue, LOST - General Tax Relief Fund cash balance increased \$9,959 to \$38,816, due to no expenditures during the year.

The Special Revenue, 2010 Disaster Recovery - CDBG Fund cash balance decreased by \$125,589 to \$(32,674). This decrease was a result of capital projects during the year.

The Capital Projects, Library Expansion Project Fund cash balance decreased \$364,260 to \$35,286, due to capital projects during the year.

The Permanent, Cemetery Perpetual Care Fund cash balance increased \$3,813 to \$120,088, due to cemetery lot payments received.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Utility Fund cash balance increased by \$24,902 to \$74,428, due primarily to a decrease in operating expenses.

The Enterprise, Customer Deposits Fund cash balance decreased by \$4,823 to \$54,532, due primarily to a transfer out.

The Enterprise, Sewer Utility Fund cash balance decreased \$5,965 from the prior year to \$82,782, due primarily to an increase in operating expenses.

The Enterprise, Garbage Utility Fund cash balance increased by \$6,032 to \$68,389, due primarily to an increase in operating receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once on May 6, 2013. This resulted in an increase in operating disbursements of \$1,117,000 mainly related to capital project costs. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in community and economic development function for the year ended June 30, 2013.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$1,253,000 in other long-term debt outstanding, compared to approximately \$1,380,000 last year, as follows:

Outstanding Debt at Year-End (Expressed in Thousands)

| | June 30, | |
|------------|----------------|----------------|
| | 2013 | 2012 |
| Bank notes | <u>\$1,253</u> | <u>\$1,380</u> |

The City incurred no new debt during 2013. Principal and interest payments were made as scheduled. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$1,253,000 is significantly below its constitutional debt limit of \$2,362,902.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Clarksville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Betts, City Clerk, 115 West Superior, Clarksville, Iowa 50619.

Basic Financial Statements

CITY OF CLARKSVILLE, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

| | | Program Receipts | | |
|------------------------------------|----------------------|--------------------|---|---|
| | | Charges | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| | <u>Disbursements</u> | <u>for Service</u> | | |
| FUNCTIONS/PROGRAMS: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 200,188 | \$ 66,415 | \$ 16,852 | \$ - |
| Public works | 188,047 | 5,194 | 137,807 | - |
| Health and social services | 6,000 | - | - | - |
| Culture and recreation | 128,756 | 8,829 | 5,686 | - |
| Community and economic development | 1,963,126 | 225 | - | 1,699,407 |
| General government | 89,564 | 6,633 | - | - |
| Debt service | 118,992 | - | - | - |
| Capital projects | <u>593,211</u> | <u>-</u> | <u>-</u> | <u>138,263</u> |
| Total governmental activities | <u>\$3,287,884</u> | <u>\$ 87,296</u> | <u>\$ 160,345</u> | <u>\$1,837,670</u> |
| Business type activities: | | | | |
| Water utility | \$ 120,297 | \$ 128,803 | \$ - | \$ - |
| Customer deposits | 4,986 | 7,200 | - | - |
| Sewer utility | 93,923 | 87,958 | - | - |
| Garbage utility | 162,564 | 164,996 | - | - |
| Storm water drainage utility | <u>51,649</u> | <u>49,022</u> | <u>-</u> | <u>-</u> |
| Total business type activities | <u>\$ 433,419</u> | <u>\$ 437,979</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$3,721,303</u> | <u>\$ 525,275</u> | <u>\$ 160,345</u> | <u>\$1,837,670</u> |

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

| <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|---|--|-----------------------|
| \$ (116,921) | \$ - | \$ (116,921) |
| (45,046) | - | (45,046) |
| (6,000) | - | (6,000) |
| (114,241) | - | (114,241) |
| (263,494) | - | (263,494) |
| (82,931) | - | (82,931) |
| (118,992) | - | (118,992) |
| <u>(454,948)</u> | <u>-</u> | <u>(454,948)</u> |
| \$ (1,202,573) | \$ - | \$ (1,202,573) |
| \$ - | \$ 8,506 | \$ 8,506 |
| - | 2,214 | 2,214 |
| - | (5,965) | (5,965) |
| - | 2,432 | 2,432 |
| <u>-</u> | <u>(2,627)</u> | <u>(2,627)</u> |
| \$ - | \$ 4,560 | \$ 4,560 |
| <u>\$ (1,202,573)</u> | <u>\$ 4,560</u> | <u>\$ (1,198,013)</u> |

CITY OF CLARKSVILLE, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Local option sales tax
- Unrestricted interest on investments
- Miscellaneous
- Sale of capital assets
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

- Restricted:
 - Nonexpendable:
 - Cemetery perpetual care
 - Expendable:
 - Streets
 - Other purposes
- Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

| Governmental Activities | Business Type Activities | Total |
|------------------------------------|-------------------------------------|--------------------------|
| \$ 328,200 | \$ - | \$ 328,200 |
| 102,042 | - | 102,042 |
| 85,597 | - | 85,597 |
| 3,818 | 279 | 4,097 |
| 34,218 | 15,680 | 49,898 |
| 2,300 | - | 2,300 |
| <u>90,000</u> | <u>(90,000)</u> | <u>-</u> |
| \$ 646,175 | \$ (74,041) | \$ 572,134 |
| \$ (556,398) | \$ (69,481) | \$ (625,879) |
| <u>892,453</u> | <u>374,996</u> | <u>1,267,449</u> |
| <u>\$ 336,055</u> | <u>\$ 305,515</u> | <u>\$ 641,570</u> |
| | | |
| \$ 123,901 | \$ - | \$ 123,901 |
| 21,802 | - | 21,802 |
| 76,828 | - | 76,828 |
| <u>113,524</u> | <u>305,515</u> | <u>419,039</u> |
| <u>\$ 336,055</u> | <u>\$ 305,515</u> | <u>\$ 641,570</u> |

CITY OF CLARKSVILLE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

| | | Special Revenue | |
|---|-------------------------|-------------------------|---------------------------|
| | | LOST - | 2010 Disaster |
| | General | General Tax | Recovery - |
| | | Relief | CDBG |
| RECEIPTS: | | | |
| Property tax | \$262,020 | \$ - | \$ - |
| Other city tax | - | 29,959 | - |
| Licenses and permits | 7,927 | - | - |
| Use of money and property | 3,739 | - | - |
| Intergovernmental | 22,539 | - | 1,699,407 |
| Charges for service | 79,056 | - | - |
| Special assessments | - | - | - |
| Miscellaneous | 15,355 | - | - |
| Total receipts | <u>\$390,636</u> | <u>\$ 29,959</u> | <u>\$1,699,407</u> |
| DISBURSEMENTS: | | | |
| Operating: | | | |
| Public safety | \$159,458 | \$ - | \$ - |
| Public works | - | - | - |
| Health and social services | 6,000 | - | - |
| Culture and recreation | 99,831 | - | - |
| Community and economic development | 4,474 | - | 1,914,996 |
| General government | 83,846 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Total disbursements | <u>\$353,609</u> | <u>\$ -</u> | <u>\$1,914,996</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ 37,027</u> | <u>\$ 29,959</u> | <u>\$ (215,589)</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | \$ - | \$ - | \$ - |
| Operating transfers in | - | - | 90,000 |
| Operating transfers out | - | (20,000) | - |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ (20,000)</u> | <u>\$ 90,000</u> |
| Change in cash balances | <u>\$ 37,027</u> | <u>\$ 9,959</u> | <u>\$ (125,589)</u> |
| Cash balances beginning of year | <u>87,602</u> | <u>28,857</u> | <u>92,915</u> |
| Cash balances end of year | <u>\$124,629</u> | <u>\$ 38,816</u> | <u>\$ (32,674)</u> |
| Cash Basis Fund Balances | | | |
| Nonspendable - Cemetery perpetual care | \$ - | \$ - | \$ - |
| Restricted for: | | | |
| Streets | - | - | - |
| Other purposes | - | 38,816 | - |
| Committed for capital projects | - | - | - |
| Unassigned | <u>124,629</u> | <u>-</u> | <u>(32,674)</u> |
| Total cash basis fund balances | <u>\$124,629</u> | <u>\$ 38,816</u> | <u>\$ (32,674)</u> |

See Notes to Financial Statements.

| <u>Capital Projects Library Expansion Project</u> | <u>Permanent Cemetery Perpetual Care</u> | <u>Nonmajor</u> | <u>Total</u> |
|---|--|-------------------------|--------------------------|
| \$ - | \$ - | \$ 168,222 | \$ 430,242 |
| - | - | 55,638 | 85,597 |
| - | - | 225 | 8,152 |
| 79 | - | - | 3,818 |
| 112,838 | - | 137,807 | 1,972,591 |
| - | - | - | 79,056 |
| - | - | 91 | 91 |
| 25,425 | 3,813 | 15,046 | 59,639 |
| <u>\$ 138,342</u> | <u>\$ 3,813</u> | <u>\$ 377,029</u> | <u>\$ 2,639,186</u> |
| | | | |
| \$ - | \$ - | \$ 40,730 | \$ 200,188 |
| - | - | 188,047 | 188,047 |
| - | - | - | 6,000 |
| - | - | 28,925 | 128,756 |
| - | - | 43,656 | 1,963,126 |
| - | - | 5,718 | 89,564 |
| - | - | 118,992 | 118,992 |
| 502,602 | - | 90,609 | 593,211 |
| <u>\$ 502,602</u> | <u>\$ -</u> | <u>\$ 516,677</u> | <u>\$ 3,287,884</u> |
| | | | |
| \$ (364,260) | \$ 3,813 | \$ (139,648) | \$ (648,698) |
| | | | |
| \$ - | \$ - | \$ 2,300 | \$ 2,300 |
| - | - | 20,000 | 110,000 |
| - | - | - | (20,000) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,300</u> | <u>\$ 92,300</u> |
| | | | |
| \$ (364,260) | \$ 3,813 | \$ (117,348) | \$ (556,398) |
| | | | |
| 399,546 | 120,088 | 163,445 | 892,453 |
| <u>\$ 35,286</u> | <u>\$ 123,901</u> | <u>\$ 46,097</u> | <u>\$ 336,055</u> |
| | | | |
| \$ - | \$ 123,901 | \$ - | \$ 123,901 |
| - | - | 21,802 | 21,802 |
| - | - | 38,012 | 76,828 |
| 35,286 | - | 23,991 | 59,277 |
| - | - | (37,708) | 54,247 |
| <u>\$ 35,286</u> | <u>\$ 123,901</u> | <u>\$ 46,097</u> | <u>\$ 336,055</u> |

CITY OF CLARKSVILLE, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Enterprise</u> | | |
|---|--------------------------|------------------------------|--------------------------|
| | <u>Water Utility</u> | <u>Customer Deposits</u> | <u>Sewer Utility</u> |
| Operating receipts: | | | |
| Charges for service | \$ 128,803 | \$ - | \$ 87,958 |
| Miscellaneous | 9,073 | 7,200 | - |
| Total operating receipts | <u>\$ 137,876</u> | <u>\$ 7,200</u> | <u>\$ 87,958</u> |
| Operating disbursements: | | | |
| Business type activities | <u>107,938</u> | <u>4,986</u> | <u>93,923</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>\$ 29,938</u> | <u>\$ 2,214</u> | <u>\$ (5,965)</u> |
| Non-operating receipts (disbursements): | | | |
| Interest on investments | \$ 279 | \$ - | \$ - |
| Miscellaneous | 7 | - | - |
| Debt service | <u>(12,359)</u> | <u>-</u> | <u>-</u> |
| Net non-operating receipts (disbursements) | <u>\$ (12,073)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ 17,865</u> | <u>\$ 2,214</u> | <u>\$ (5,965)</u> |
| Other financing sources (uses): | | | |
| Operating transfers in | \$ 7,037 | \$ - | \$ - |
| Operating transfers out | - | (7,037) | - |
| Total other financing sources (uses) | <u>\$ 7,037</u> | <u>\$ (7,037)</u> | <u>\$ -</u> |
| Change in cash balances | \$ 24,902 | \$ (4,823) | \$ (5,965) |
| Cash balances beginning of year | <u>49,526</u> | <u>59,355</u> | <u>88,747</u> |
| Cash balances end of year | <u>\$ 74,428</u> | <u>\$ 54,532</u> | <u>\$ 82,782</u> |
| Cash Basis Fund Balances | | | |
| Committed for customer deposits | \$ - | \$ 54,532 | \$ - |
| Unrestricted | <u>74,428</u> | <u>-</u> | <u>82,782</u> |
| Total cash basis fund balances | <u>\$ 74,428</u> | <u>\$ 54,532</u> | <u>\$ 82,782</u> |

See Notes to Financial Statements.

| <u>Funds</u> | | |
|----------------------------|-------------------------|--------------------------|
| <u>Garbage Utility</u> | <u>Nonmajor</u> | <u>Total</u> |
| \$164,996 | \$ 49,022 | \$ 430,779 |
| - | 3,000 | 19,273 |
| <u>\$164,996</u> | <u>\$ 52,022</u> | <u>\$ 450,052</u> |
| 162,564 | - | 369,411 |
| <u>\$ 2,432</u> | <u>\$ 52,022</u> | <u>\$ 80,641</u> |
| \$ - | \$ - | \$ 279 |
| 3,600 | - | 3,607 |
| - | (51,649) | (64,008) |
| <u>\$ 3,600</u> | <u>\$ (51,649)</u> | <u>\$ (60,122)</u> |
| \$ 6,032 | \$ 373 | \$ 20,519 |
| \$ - | \$ - | \$ 7,037 |
| - | (90,000) | (97,037) |
| <u>\$ -</u> | <u>\$ (90,000)</u> | <u>\$ (90,000)</u> |
| \$ 6,032 | \$ (89,627) | \$ (69,481) |
| 62,357 | 115,011 | 374,996 |
| <u>\$ 68,389</u> | <u>\$ 25,384</u> | <u>\$ 305,515</u> |
| \$ - | \$ - | \$ 54,532 |
| 68,389 | 25,384 | 250,983 |
| <u>\$ 68,389</u> | <u>\$ 25,384</u> | <u>\$ 305,515</u> |

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The City of Clarksville is a political subdivision of the State of Iowa located in Butler County. It was first incorporated on September 21, 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage and storm water drainage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Clarksville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Butler County Assessor's Conference Board, Butler County Solid Waste Commission, Iowa Northland Regional Council of Governments, Butler County Emergency Management Commission and Butler County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies - continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The LOST - General Tax Relief Fund is utilized for the portion of local option sales tax to be used for general tax relief.

The 2010 Disaster Recovery - CDBG Fund is used to account for grant collections to be used for disaster clean up.

The Capital Projects, Library Expansion Project Fund is used to account for construction of the library expansion.

The Permanent, Cemetery Perpetual Care Fund is used to account for the sale of cemetery lots.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies - continued

The City reports the following major proprietary funds:

The Enterprise, Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Customer Deposits Fund is utilized to account for deposits made.

The Enterprise, Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage Utility Fund accounts for the operation and maintenance of the City's garbage system.

C. Measurement Focus and Basis of Accounting

The City of Clarksville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies - continued

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Payable

Annual debt service requirements to maturity for bank notes are as follows:

| Year Ending June 30, | Bank Notes | |
|----------------------------|--------------------|------------------|
| | Principal | Interest |
| 2014 | \$ 129,175 | \$ 51,645 |
| 2015 | 108,598 | 46,469 |
| 2016 | 99,487 | 42,338 |
| 2017 | 97,961 | 38,047 |
| 2018 | 66,705 | 34,373 |
| 2019-2023 | 292,960 | 133,508 |
| 2024-2028 | 282,824 | 68,624 |
| 2029-2032 | 175,485 | 16,028 |
| Total | <u>\$1,253,195</u> | <u>\$431,032</u> |

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013, was \$24,597, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 6 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with UnitedHealthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members is \$1,217 for family coverage. For the year ended June 30, 2013, the City contributed \$77,677 and plan members eligible for benefits did not contribute to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, comp time and personal leave payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|-----------------|
| Vacation | \$12,870 |
| Comp time | 561 |
| Personal leave | <u>1,851</u> |
| Total | <u>\$15,282</u> |

This liability has been computed based on rates of pay in effect at June 30, 2013.

**CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$20,174.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(7) Risk Management - continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the fiscal year ended June 30, 2013.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--|--|------------------|
| Debt Service | Special Revenue: LOST - General Tax Relief | \$ 20,000 |
| Special Revenue: 2010 Disaster Recovery - CDBG | Enterprise: Storm Water Drainage Utility | 90,000 |
| Enterprise: Water | Custom Deposits | <u>7,037</u> |
| Total | | <u>\$117,037</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Deficit Balances

The Special Revenue, Employee Benefits Fund and 2010 Disaster Recovery - CDBG Fund had deficit balances of \$8,995 and \$32,674, respectively, at June 30, 2013. Also, the Debt Service Fund had a deficit balance of \$28,713. The deficit balances were due to deficit beginning balances and project costs incurred prior to availability of funds. These deficits will be eliminated upon receipt of state grants and other receipts.

CITY OF CLARKSVILLE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(10) Commitments

At June 30, 2013, the following construction commitments had been made:

| <u>Project</u> | <u>Total Contract</u> | <u>Costs Incurred To Date</u> |
|---------------------|---------------------------|---------------------------------------|
| Library Expansion | \$ 606,020 | \$ 575,719 |
| Storm Water Project | <u>2,404,285</u> | <u>2,367,848</u> |
| Total | <u>\$3,010,305</u> | <u>\$2,943,567</u> |

(11) Subsequent Events

On July 1, 2013, the City approved the street and parking lot project in the amount of \$122,720.

The 2013 Street Project was approved on August 19, 2013, in the amount of \$77,149.

Other Information

CITY OF CLARKSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2013

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds Not Required to be Budgeted |
|---|---------------------------------|--------------------------------|--|
| RECEIPTS: | | | |
| Property tax | \$ 430,242 | \$ - | \$ - |
| Other city tax | 85,597 | - | - |
| Licenses and permits | 8,152 | - | - |
| Use of money and property | 3,818 | 279 | - |
| Intergovernmental | 1,972,591 | - | - |
| Charges for service | 79,056 | 430,779 | - |
| Special assessments | 91 | - | - |
| Miscellaneous | 59,639 | 22,880 | - |
| Total receipts | <u>\$ 2,639,186</u> | <u>\$ 453,938</u> | <u>\$ -</u> |
| DISBURSEMENTS: | | | |
| Public safety | \$ 200,188 | \$ - | \$ - |
| Public works | 188,047 | - | - |
| Health and social services | 6,000 | - | - |
| Culture and recreation | 128,756 | - | - |
| Community and economic development | 1,963,126 | - | - |
| General government | 89,564 | - | - |
| Debt service | 118,992 | - | - |
| Capital projects | 593,211 | - | - |
| Business type activities | - | 433,419 | - |
| Total disbursements | <u>\$ 3,287,884</u> | <u>\$ 433,419</u> | <u>\$ -</u> |
| Excess (deficiency) of receipts over (under) disbursements | \$ (648,698) | \$ 20,519 | \$ - |
| Other financing sources, net | <u>92,300</u> | <u>(90,000)</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | \$ (556,398) | \$ (69,481) | \$ - |
| Balances beginning of year | <u>892,453</u> | <u>374,996</u> | <u>-</u> |
| Balances end of year | <u>\$ 336,055</u> | <u>\$ 305,515</u> | <u>\$ -</u> |

See Accompanying Independent Auditor's Report.

| <u>Total</u> | <u>Budgeted Amounts</u> | | <u>Final to Total Variance</u> |
|--------------------------|--------------------------|--------------------------|--|
| | <u>Original</u> | <u>Final</u> | |
| \$ 430,242 | \$ 414,970 | \$ 414,970 | \$ 15,272 |
| 85,597 | 91,844 | 233,012 | (147,415) |
| 8,152 | 7,725 | 7,725 | 427 |
| 4,097 | 11,300 | 11,300 | (7,203) |
| 1,972,591 | 1,164,930 | 2,007,830 | (35,239) |
| 509,835 | 474,300 | 474,300 | 35,535 |
| 91 | 91 | 91 | - |
| 82,519 | 8,700 | 16,000 | 66,519 |
| <u>\$3,093,124</u> | <u>\$2,173,860</u> | <u>\$ 3,165,228</u> | <u>\$ (72,104)</u> |
| | | | |
| \$ 200,188 | \$ 191,233 | \$ 201,233 | \$ 1,045 |
| 188,047 | 193,930 | 193,930 | 5,883 |
| 6,000 | 6,000 | 6,000 | - |
| 128,756 | 130,456 | 155,456 | 26,700 |
| 1,963,126 | 96,439 | 96,439 | (1,866,687) |
| 89,564 | 88,027 | 98,027 | 8,463 |
| 118,992 | 94,662 | 135,662 | 16,670 |
| 593,211 | 1,512,914 | 2,543,914 | 1,950,703 |
| 433,419 | 544,959 | 544,959 | 111,540 |
| <u>\$3,721,303</u> | <u>\$2,858,620</u> | <u>\$ 3,975,620</u> | <u>\$ 254,317</u> |
| | | | |
| \$ (628,179) | \$ (684,760) | \$ (810,392) | \$ 182,213 |
| <u>2,300</u> | <u>-</u> | <u>-</u> | <u>2,300</u> |
| | | | |
| \$ (625,879) | \$ (684,760) | \$ (810,392) | \$ 184,513 |
| <u>1,267,449</u> | <u>1,108,284</u> | <u>1,108,284</u> | <u>159,165</u> |
| <u>\$ 641,570</u> | <u>\$ 423,524</u> | <u>\$ 297,892</u> | <u>\$ 343,678</u> |

CITY OF CLARKSVILLE, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,117,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development function.

Supplementary Information

CITY OF CLARKSVILLE, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

| | <u>S p e c i a l</u> | | <u>R e v e n u e</u> | |
|--|-------------------------|--------------------------|-------------------------|-------------------------|
| | | | LOST - | |
| | <u>Road Use</u> | <u>Employee</u> | <u>Property</u> | <u>LOST -</u> |
| | <u>Tax</u> | <u>Benefits</u> | <u>Improvements</u> | <u>Recreation</u> |
| RECEIPTS: | | | | |
| Property tax | \$ - | \$ 66,180 | \$ - | \$ - |
| Other city tax | - | - | 29,959 | 25,679 |
| Licenses and permits | - | - | 225 | - |
| Intergovernmental | 137,807 | - | - | - |
| Special assessments | 91 | - | - | - |
| Miscellaneous | 5,103 | 943 | 9,000 | - |
| Total receipts | <u>\$ 143,001</u> | <u>\$ 67,123</u> | <u>\$ 39,184</u> | <u>\$ 25,679</u> |
| DISBURSEMENTS: | | | | |
| Operating: | | | | |
| Public safety | \$ - | \$ 40,730 | \$ - | \$ - |
| Public works | 188,047 | - | - | - |
| Culture and recreation | - | 28,925 | - | - |
| Community and economic development | - | - | 25,302 | 18,354 |
| General government | - | 5,718 | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total disbursements | <u>\$ 188,047</u> | <u>\$ 75,373</u> | <u>\$ 25,302</u> | <u>\$ 18,354</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>\$ (45,046)</u> | <u>\$ (8,250)</u> | <u>\$ 13,882</u> | <u>\$ 7,325</u> |
| Other financing sources: | | | | |
| Sale of capital assets | \$ - | \$ - | \$ - | \$ - |
| Operating transfers in | - | - | - | - |
| Total other financing sources | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Change in cash balances | <u>\$ (45,046)</u> | <u>\$ (8,250)</u> | <u>\$ 13,882</u> | <u>\$ 7,325</u> |
| Cash balances beginning of year | <u>66,848</u> | <u>(745)</u> | <u>6,886</u> | <u>9,919</u> |
| Cash balances end of year | <u>\$ 21,802</u> | <u>\$ (8,995)</u> | <u>\$ 20,768</u> | <u>\$ 17,244</u> |
| Cash Basis Fund Balances | | | | |
| Restricted for other purposes | \$ 21,802 | \$ - | \$ 20,768 | \$ 17,244 |
| Committed for equipment projects | - | - | - | - |
| Unassigned | - | (8,995) | - | - |
| Total cash basis fund balances | <u>\$ 21,802</u> | <u>\$ (8,995)</u> | <u>\$ 20,768</u> | <u>\$ 17,244</u> |

See Accompanying Independent Auditor's Report.

| | <u>Capital Projects</u> | |
|---------------------------|---------------------------|-------------------------|
| <u>Debt Service</u> | <u>Equipment Projects</u> | <u>Total</u> |
| \$ 102,042 | \$ - | \$ 168,222 |
| - | - | 55,638 |
| - | - | 225 |
| - | - | 137,807 |
| - | - | 91 |
| - | - | 15,046 |
| <u>\$ 102,042</u> | <u>\$ -</u> | <u>\$ 377,029</u> |
| | | |
| \$ - | \$ - | \$ 40,730 |
| - | - | 188,047 |
| - | - | 28,925 |
| - | - | 43,656 |
| - | - | 5,718 |
| 118,992 | - | 118,992 |
| - | 90,609 | 90,609 |
| <u>\$ 118,992</u> | <u>\$ 90,609</u> | <u>\$ 516,677</u> |
| | | |
| <u>\$ (16,950)</u> | <u>\$ (90,609)</u> | <u>\$ (139,648)</u> |
| | | |
| \$ - | \$ 2,300 | \$ 2,300 |
| <u>20,000</u> | <u>-</u> | <u>20,000</u> |
| <u>\$ 20,000</u> | <u>\$ 2,300</u> | <u>\$ 22,300</u> |
| | | |
| \$ 3,050 | \$ (88,309) | \$ (117,348) |
| <u>(31,763)</u> | <u>112,300</u> | <u>163,445</u> |
| <u>\$ (28,713)</u> | <u>\$ 23,991</u> | <u>\$ 46,097</u> |
| | | |
| \$ - | \$ - | \$ 59,814 |
| - | 23,991 | 23,991 |
| <u>(28,713)</u> | <u>-</u> | <u>(37,708)</u> |
| <u>\$ (28,713)</u> | <u>\$ 23,991</u> | <u>\$ 46,097</u> |

CITY OF CLARKSVILLE, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Water Tower Lease</u> | <u>Enterprise Storm Water Drainage Utility</u> | <u>Total</u> |
|---|------------------------------|--|-------------------------|
| Operating receipts: | | | |
| Charges for service | \$ - | \$ 49,022 | \$ 49,022 |
| Miscellaneous | 3,000 | - | 3,000 |
| Total operating receipts | \$ 3,000 | \$ 49,022 | \$ 52,022 |
| Operating disbursements: | | | |
| None | - | - | - |
| Excess of operating receipts over operating disbursements | \$ 3,000 | \$ 49,022 | \$ 52,022 |
| Non-operating disbursements: | | | |
| Debt service | - | (51,649) | (51,649) |
| Excess (deficiency) of receipts over (under) disbursements | \$ 3,000 | \$ (2,627) | \$ 373 |
| Other financing uses: | | | |
| Operating transfers out | - | (90,000) | (90,000) |
| Change in cash balance | \$ 3,000 | \$ (92,627) | \$ (89,627) |
| Cash balance beginning of year | 17,250 | 97,761 | 115,011 |
| Cash balance end of year | <u>\$ 20,250</u> | <u>\$ 5,134</u> | <u>\$ 25,384</u> |
| Cash Basis Fund Balances | | | |
| Unrestricted | <u>\$ 20,250</u> | <u>\$ 5,134</u> | <u>\$ 25,384</u> |

See Accompanying Independent Auditor's Report.

CITY OF CLARKSVILLE, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2013

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|------------------------|--------------------------|-----------------------|---|
| Notes Payable: | | | |
| 2002 Ambulance | 09/05/02 | 4.375% | \$ 83,000 |
| 2007 Fire Station | 09/04/07 | 4.050 | 200,000 |
| 2008 Fire Truck | 11/01/07 | 4.050 | 85,512 |
| 2009 Water Tower | 07/08/09 | 4.300 | 100,000 |
| 2009 Equipment | 10/07/09 | 3.900 | 125,000 |
| 2011 Library Expansion | 08/01/11 | 4.125 | 350,000 |
| 2012 Equipment | 03/06/12 | 3.875 | 100,000 |
| 2010 Storm Sewer | 04/16/12 | 4.340 | 687,000 |

Total indebtedness

See Accompanying Independent Auditor's Report.

| <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> | <u>Interest Due and Unpaid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| \$ 2,157 | \$ - | \$ 2,157 | \$ - | \$ 23 | \$ - |
| 114,616 | - | 20,098 | 94,518 | 4,324 | - |
| 27,896 | - | 10,401 | 17,495 | 984 | - |
| 73,875 | - | 9,298 | 64,577 | 3,062 | - |
| 58,779 | - | 25,669 | 33,110 | 1,941 | - |
| 330,070 | - | 17,945 | 312,125 | 13,299 | - |
| 95,291 | - | 18,689 | 76,602 | 3,461 | - |
| 677,069 | - | 22,301 | 654,768 | 29,348 | - |
| <u>\$1,379,753</u> | <u>\$ -</u> | <u>\$126,558</u> | <u>\$1,253,195</u> | <u>\$ 56,442</u> | <u>\$ -</u> |

CITY OF CLARKSVILLE, IOWA
NOTE MATURITIES
JUNE 30, 2013

N O T E S

| Year Ending June 30, | 2007 Fire Station | | 2008 Fire Truck | | 2009 Water Tower | |
|----------------------------|--------------------------|-------------------------|-------------------------|-------------------------|---------------------|-------------------------|
| | Issued September 4, 2007 | | Issued November 1, 2007 | | Issued July 8, 2009 | |
| | Interest | | Interest | | Interest | |
| | Rates | Amount | Rates | Amount | Rates | Amount |
| 2014 | 4.050% | \$ 20,863 | 4.050% | \$ 10,853 | 4.300% | \$ 9,685 |
| 2015 | 4.050 | 21,723 | 4.050 | 6,642 | 4.300 | 10,114 |
| 2016 | 4.050 | 22,620 | - | - | 4.300 | 10,558 |
| 2017 | 4.050 | 23,553 | - | - | 4.300 | 11,030 |
| 2018 | 4.050 | 5,759 | - | - | 4.300 | 11,519 |
| 2019 | - | - | - | - | 4.300 | 11,671 |
| 2020 | - | - | - | - | - | - |
| 2021 | - | - | - | - | - | - |
| 2022 | - | - | - | - | - | - |
| 2023 | - | - | - | - | - | - |
| 2024 | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - |
| 2028 | - | - | - | - | - | - |
| 2029 | - | - | - | - | - | - |
| 2030 | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - |
| Total | | <u>\$ 94,518</u> | | <u>\$ 17,495</u> | | <u>\$ 64,577</u> |

| Year Ending June 30 | Total |
|---------------------------|---------------------------|
| 2014 | \$ 129,175 |
| 2015 | 108,598 |
| 2016 | 99,487 |
| 2017 | 97,961 |
| 2018 | 66,705 |
| 2019 | 63,250 |
| 2020 | 53,766 |
| 2021 | 56,166 |
| 2022 | 58,613 |
| 2023 | 61,165 |
| 2024 | 63,785 |
| 2025 | 66,606 |
| 2026 | 68,977 |
| 2027 | 40,827 |
| 2028 | 42,629 |
| 2029 | 44,569 |
| 2030 | 46,553 |
| 2031 | 48,636 |
| 2032 | 35,727 |
| Total | <u>\$1,253,195</u> |

See Accompanying Independent Auditor's Report.

P A Y A B L E

| <u>2009 Equipment</u> | | <u>2011 Library Expansion</u> | | <u>2012 Equipment</u> | | <u>2010 Storm Sewer</u> | |
|-------------------------------|------------------|-------------------------------|------------------|-----------------------------|------------------|------------------------------|-------------------|
| <u>Issued October 7, 2009</u> | | <u>Issued August 1, 2011</u> | | <u>Issued March 6, 2012</u> | | <u>Issued April 16, 2012</u> | |
| <u>Interest</u> | | <u>Interest</u> | | <u>Interest</u> | | <u>Interest</u> | |
| <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> |
| 3.900% | \$ 26,677 | 4.125% | \$ 18,564 | 3.875% | \$ 19,413 | 4.340% | \$ 23,120 |
| 3.900 | 6,433 | 4.125 | 19,345 | 3.875 | 20,187 | 4.340 | 24,154 |
| - | - | 4.125 | 20,158 | 3.875 | 20,989 | 4.340 | 25,162 |
| - | - | 4.125 | 21,005 | 3.875 | 16,013 | 4.340 | 26,360 |
| - | - | 4.125 | 21,888 | - | - | 4.340 | 27,539 |
| - | - | 4.125 | 22,808 | - | - | 4.340 | 28,771 |
| - | - | 4.125 | 23,767 | - | - | 4.340 | 29,999 |
| - | - | 4.125 | 24,766 | - | - | 4.340 | 31,400 |
| - | - | 4.125 | 25,808 | - | - | 4.340 | 32,805 |
| - | - | 4.125 | 26,893 | - | - | 4.340 | 34,272 |
| - | - | 4.125 | 28,023 | - | - | 4.340 | 35,762 |
| - | - | 4.125 | 29,201 | - | - | 4.340 | 37,405 |
| - | - | 4.125 | 29,899 | - | - | 4.340 | 39,078 |
| - | - | - | - | - | - | 4.340 | 40,827 |
| - | - | - | - | - | - | 4.340 | 42,629 |
| - | - | - | - | - | - | 4.340 | 44,569 |
| - | - | - | - | - | - | 4.340 | 46,553 |
| - | - | - | - | - | - | 4.340 | 48,636 |
| - | - | - | - | - | - | 4.340 | 35,727 |
| | <u>\$ 33,110</u> | | <u>\$312,125</u> | | <u>\$ 76,602</u> | | <u>\$ 654,768</u> |

CITY OF CLARKSVILLE, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

| <u>GRANTOR/PROGRAM</u> | <u>CFDA NUMBER</u> | <u>AGENCY PASS-THROUGH NUMBER</u> | <u>PROGRAM EXPENDITURES</u> |
|---|------------------------|---|---------------------------------|
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Economic Development Authority: | | | |
| Community Development Block | | | |
| Grants/State's Program and | | | |
| Non-Entitlement Grants in Hawaii | 14.228 | 08-DRI-229 | <u>\$1,339,951</u> |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clarksville and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Clarksville, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the City's basic financial statements, and have issued my report thereon dated November 13, 2013. My report expressed qualified opinions on the financial statements, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles because I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Clarksville's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clarksville's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Clarksville's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Clarksville's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-13 and II-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-C-13 and II-D-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Clarksville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Clarksville's Responses to Findings

The City of Clarksville's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Clarksville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Clarksville during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is written in a cursive, flowing style.

Charles City, Iowa
November 13, 2013



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fi.ai.net

(641) 257-4222

or (641) 228-2812

Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

I have audited the City of Clarksville, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Clarksville's major federal program for the year ended June 30, 2013. The City of Clarksville's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the City of Clarksville's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clarksville's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the City of Clarksville's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Clarksville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures did not disclose any instance of non-compliance which is required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

The management of the City of Clarksville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Clarksville's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Clarksville's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control over compliance I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-13 to be a material weakness.

The City of Clarksville's response to the internal control over compliance finding identified in my audit is reported in the accompanying Schedule of Findings. The City of Clarksville's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Larry Pump". The signature is fluid and cursive, with the first name "Larry" and the last name "Pump" clearly distinguishable.

Charles City, Iowa
November 13, 2013

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements, which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, because I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2012.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Clarksville did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that certain accounting functions are not properly segregated.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-13 Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements: - continued

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will follow procedures for two signatures on all checks.

Conclusion - Response accepted.

II-C-13 Post-dated Checks - I noted several checks that cleared the City's bank account prior to the date the check was issued.

Recommendation - The City should avoid the use of post-dating checks.

Response - We will discontinue the use of post-dating checks in the future.

Conclusion - Response accepted.

II-D-13 Utility Billings - I noted commercial property utility customers were not being billed for sewer usage in accordance with the current City resolution.

Recommendation - The City should comply with the current City resolutions for all utility billings.

Response - We have checked all business accounts on the computer and made the appropriate change to the billings calculation.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Pass-through Agency Number: 08-DRI-229

Federal Award Year: 2013

U.S. Department of Housing and Urban Development

Passed through the Iowa Economic Development Authority

III-A-13 Segregation of Duties over Federal Receipts - The City did not
(2013-001) properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-13.

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - The budget will be amended in the future.
- Conclusion - Response accepted.
- IV-B-13 Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-13 Business Transactions - No business transactions between the City and City officials were noted.
- IV-E-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- IV-G-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-13 Financial Condition - The Special Revenue, Employee Benefits Fund and 2010 Disaster Recovery - CDBG Fund had deficit balances of \$8,995 and \$32,674, respectively, at June 30, 2013. Also, the Debt Service Fund had a deficit balance of \$28,713.
- Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.
- Response - These deficits were due to deficit beginning balances and project expenses incurred prior to receipts of state grants and other receipts. These deficits will be eliminated upon receipt of the grant and future receipts.
- Conclusion - Response accepted.
- IV-I-13 Official Depositories - A resolution naming official depositories and maximum deposits has been approved by the City, however, the resolution was exceeded during the year.
- Recommendation - The Council should approve a resolution in amounts sufficient to cover anticipated balances for all depositories.

CITY OF CLARKSVILLE, IOWA
Schedule of Findings
Year Ended June 30, 2013

Part VI: Other Findings Related to Required Statutory Reporting: - continued

Response - We will review our depository and maximum amount.

Conclusion - Response accepted.

IV-J-13 Transfers - The City transferred money based on the prior audit, however, the transfer was not budgeted for or have council approval.

Recommendation - Transfers should be approved by the City Council or by budget.

Response - We will do this.

Conclusion - Response accepted.